

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

DMG5038 – MANAGEMENT ACCOUNTING

(All sections / Groups)

25 OCTOBER 2018

2.30 p.m. – 4.30 p.m.

(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 6 pages with 5 Questions only.
2. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1**PART A**

Mr. Patrick is the general manager of Sunrise Printing Sdn. Bhd. that manufactures custom sweaters, bags, stationeries, other printing products and supplies custom t-shirt to major Universities and colleges events in Melaka. Due to the high demand from their customers, the company is currently producing 30,000 units of custom t-shirt per month (90% of its full capacity). Below are their monthly manufacturing costs and other expenses:

	RM		RM
Advertising expenses	20,000	Rental on factory equipment	9,400
Depreciation on factory building	3,500	Raw materials in inventory, 1 June 2017	51,500
Depreciation on office equipment	2,800	Raw materials in inventory, 30 June 2017	33,440
Electricity bill for factory	5,750	Sales commission	6,300
Factory manager's salary	6,860	Sales revenue	665,280
Finished goods inventory, 1 June 2017	46,250	Supplies for HR office	490
Finished goods inventory, 30 June 2017	38,100	Wages for assembly line worker	62,300
Fire insurance on office building	3,500	Water bill for office	250
Materials purchased during the month	105,250	Work in process inventory, 1 June 2017	58,500
Miscellaneous materials (glue, screw, bolt and etc.)	3,400	Work in process inventory, 30 June 2017	45,500

Instructions

- (a) From the information above, compute the amount of:
- (i) Direct materials used. (2 marks)
 - (ii) Manufacturing overhead. (3 marks)
 - (iii) Period costs. (3.5 marks)
 - (iv) Total manufacturing cost. (2 marks)

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- (v) Cost to produce one unit of custom t-shirt (Round your answer to two decimal points). (1.5 marks)
- (b) Based on your answer in (a), prepare the cost of goods manufactured schedule for the month ended 30 June 2017. (2.5 marks)
- (c) Prepare a Statement of Comprehensive Income statement through gross profit for the month ended 30 June 2017. (3.5 marks)

PART B

Briefly explain the difference between a merchandising and a manufacturing Statement of Financial Position. (2 marks)

(Total: 20 marks)

QUESTION 2

PART A

Wilson Manufacture gathered the following information on maintenance costs and factory machine usage for the last six months in 2017:

Month	Maintenance Cost (RM)	Factory Machine Hours
July	26,200	7,900
August	28,600	10,100
September	24,800	6,200
October	29,200	11,600
November	26,800	8,300
December	22,000	5,600

Instructions

Using the high-low method of analyzing costs, answer the following questions and show computations to support your answers.

- (a) Compute the estimated variable portion of maintenance costs per factory machine hour. (3 marks)
- (b) Compute the estimated fixed maintenance cost each month. (4 marks)
- (c) Compute the expected total maintenance cost for January if it is estimated that 16,000 factory machine hours will be run in January 2018. (2 marks)

Continued...

PART B

Distinguish between variable and fixed costs.

(1 mark)

PART C

Indicate whether the following statements are **true** or **false**.

1. A variable cost remains constant per unit at various levels of activity.
2. A fixed cost remains constant in total and on a per unit basis at various levels of activity.
3. If volume increases, all costs will increase.
4. If the activity index decreases, total variable costs will decrease proportionately.
5. Changes in the level of activity will cause unit variable and unit fixed costs to change in opposite directions.
6. For CVP analysis, both variable and fixed costs are assumed to have a linear relationship within the relevant range of activity.
7. The relevant range of activity is the activity level where the firm will earn income.
8. Costs will not change in total within the relevant range of activity.
9. The high-low method is used in classifying a mixed cost into its variable and fixed elements.
10. A mixed cost has both selling and administrative cost elements.

(10 marks)

(Total: 20 marks)

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QUESTION 3**PART A**

Golden Print imprints mineral waters label with corporation, college, or brand names. The company has fixed expenses of RM1,036,000 each month plus variable expenses of RM3.00 per carton of mineral waters with customized label. Of the variable expense, 70% is Cost of Goods Sold while the remaining 30% relates to variable operating expenses. Golden Print sells each carton of mineral water with customized label for RM10.00.

Instructions

- Use the equation method to compute the number of cartons of mineral waters that Golden Print must sell each month to break even. (3 marks)
- Use the contribution margin method to compute the Ringgit Malaysia (RM) amount of sales Golden Print needs in order to earn RM385,000 in operating income. (round your answer to the nearest Ringgit Malaysia.) (4 marks)
- Supposed that Golden Print sold 550,000 cartons of mineral waters with customized label in June. What is the margin of safety in Ringgit Malaysia (RM)? Use answer in (a) for your calculations. (3 marks)

PART B

Dary Enterprise is a large online business specializing in the sale slimming product over the Web. The business is owned by a sole proprietor and operated out of her home. Results over the last year for the year ended 31 December 2017 are shown below:

Dary Sdn Bhd
Statement of Comprehensive Income for the year ended
31 December 2017

	RM	RM
Sales revenue		1,087,000
Less: Cost of good sold		(765,000)
Gross profit		322,000
Less: Operating expenses		
Selling and marketing expenses	71,000	
Web site maintenance expenses	66,000	
Other operating expenses	27,000	
Total operating expenses		(164,000)
Operating income		158,000

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For internal planning and decision making purposes, the owner of Dary Enterprise would like to translate the company's Statement of comprehensive income into the contribution margin format. Since Dary Enterprise is an online business, all of its cost of goods sold is variable.

A large portion of the selling and marketing expenses consists of freight-out charges (RM 29,000), which were also variable. Only 20% of the remaining selling and marketing expenses and 25% of the Web site expenses were variable. Of other operating expenses, 90% were fixed.

Instruction

Based on this information, prepare Dary Enterprise's contribution margin Statement of Comprehensive Income for the year ended 31 December 2017. (10 marks)

(Total: 20 marks)

QUESTION 4

Gabriel Company is preparing its master budget for 2018. Relevant data pertaining to its sales, production, and direct materials budgets are as follows.

Sales:

Quarter	Expected sales unit
Quarter 1	340,000
Quarter 2	400,000
Quarter 3	460,000
Quarter 4	400,000

Sales in the first quarter of 2019 is expected to be 20% higher than the budgeted sales for the first quarter of 2018

Production:

Management desires to maintain the ending finished goods inventories at 35% of the next quarter's budgeted sales volume.

Direct materials:

Each unit requires 4 kilograms of raw materials at a cost of RM3 per kilogram. Management desires to maintain raw materials inventories at 10% of the next quarter's production requirements. Assume the production requirements for the first quarter of 2019 are 1,910,000 kilograms.

Instructions

- (a) Prepare the production budget by quarters for 2018. (8 marks)
- (b) Prepare the direct materials budget by quarters for 2018. (12 marks)

(Total: 20 marks)

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QUESTION 5

Detech Company developed the following standard costs for its product for 2017:

Detech Company				
Standard Cost Card				
<u>Cost Elements</u>	<u>Standard</u> <u>Quantity</u>	x	<u>Standard Price</u> <u>(RM)</u>	= <u>Standard Cost</u> <u>(RM)</u>
Direct materials	4 kilograms		6	24
Direct labor	2 hours		11	22
Variable overhead	2 hours		5	10
Fixed overhead	2 hours		3	6
				<u>RM 62</u>

The company expected to work at the 130,000 direct labor hours level of activity and produce 65,000 units of product.

Actual results for 2017 were as follows:

- 60,000 units of product were actually produced.
- Direct labor costs were RM1,250,000 for 125,000 direct labor hours actually worked.
- Actual direct materials purchased and used during the year cost RM1,386,000 for 277,200 kilograms.
- Total actual manufacturing overhead costs were RM900,000.

Instructions

Compute the following variances for Detech Company for 2017 and indicate whether the variance is favorable or unfavorable.

- | | | |
|-----|-------------------------------------|-----------|
| (a) | Direct materials price variance. | (4 marks) |
| (b) | Direct materials quantity variance. | (4 marks) |
| (c) | Direct labor price variance. | (4 marks) |
| (d) | Direct labor quantity variance. | (4 marks) |
| (e) | Total overhead variance. | (4 marks) |

(Total: 20 marks)

(Grand Total: 100 marks)

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